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Franchising Strategies and Opportunities

An Update On Franchising And Global Franchise Opportunities



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Our Agenda

- **The International Franchise Association**
- **Franchising – what is it and why do it**
- **Why and how to take your franchise global**
- **The state of franchising in the US and Australia**
- **How countries compare for franchising**
- **Three US franchise case histories in Asia**
- **Hot sectors and markets for franchising**



Who EGS Is

- **We take successful franchisors into new countries in a manner that will maximize the Return On Investment for both the franchisor and licensee**
- **We work for many of the most successful US franchisors**
- **Our Executive Experience** – 100+ years experience in over 60+ countries
- **Our Process and Tools** – Successful Going Global processes, trademarked planning, analysis, financial and marketing tools
- **Our Network** – 35 highly experienced Associates based in 28 countries
- **The U.S. Commercial Service considers EGS the largest single exporter of US franchises - USCS Special Export Achievement Award in 2009**



The International Franchise Association

- The largest franchise association in the world and the acknowledged leader for franchising worldwide
- Founded in 1960, the IFA is a membership organization of franchisors, franchisees, and suppliers
- Represents more than 2,000 Franchisors and Suppliers
- Provides a Certified Franchise Executive® (CFE) education program and licenses the program to other country franchise associations
- Requires Member companies to follow a Code Of Ethics

www.franchise.org



Institute of Certified Franchise Executives



***Mission:** To enhance the professionalism of franchising by certifying the highest standards of quality training and education.*

The only professional development program designed for franchise executives by franchise executives.



Franchising
Building local businesses,
one opportunity at a time.



What Is Franchising?

Franchising is a business development method for expanding business and distributing goods and services, using an established business system and a recognized brand name

The franchising business development model is now used in more than 100 countries



What Is The Franchising Relationship?

A franchise occurs when a business (the Franchisor) licenses its trade name (the Brand) and its operating methods (the System) to a person or group (the Franchisee) who agrees to operate according to the terms of a contract (the Franchise Agreement)

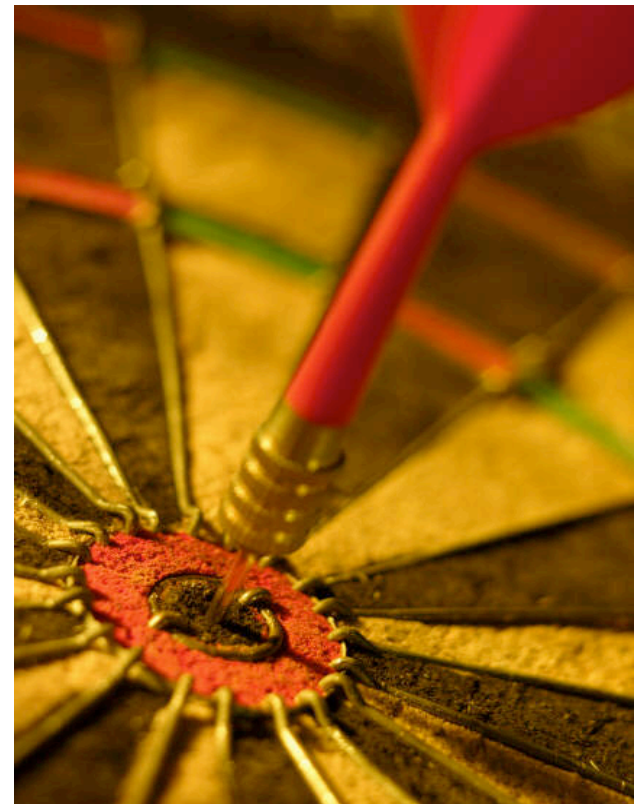


Why Franchise Your Business?

You have developed a good business with excellent systems

You want to expand, but lack the money, the people and the time

It may be time to think about franchising



Is Your Business "Franchisable"?

- It needs to be credible. Does your company have experienced management? A track-record over time? Is the concept proven?
- It needs to be unique. Is your business adequately differentiated from its competitors? Is it marketable as a business opportunity?
- Does it have a sustainable competitive advantage?
- It needs to be teachable. Are the systems in place? Are operating procedures documented in manuals?
- It needs to provide an adequate return. A business needs to generate a 15 to 20 percent return on investment after deducting a royalty



Mark Siebert, CEO, iFranchise

Why Take Your Franchise Global?

Tap into the revenue potential of larger markets

Increase brand value

Reduce dependence on your domestic market and its economic cycles

Leverage your existing intellectual property, know-how and technology

Being global helps franchise sales in your home country by enhancing a brand's image



Keys To 'Going Global' Successfully

International development must be a business growth strategy

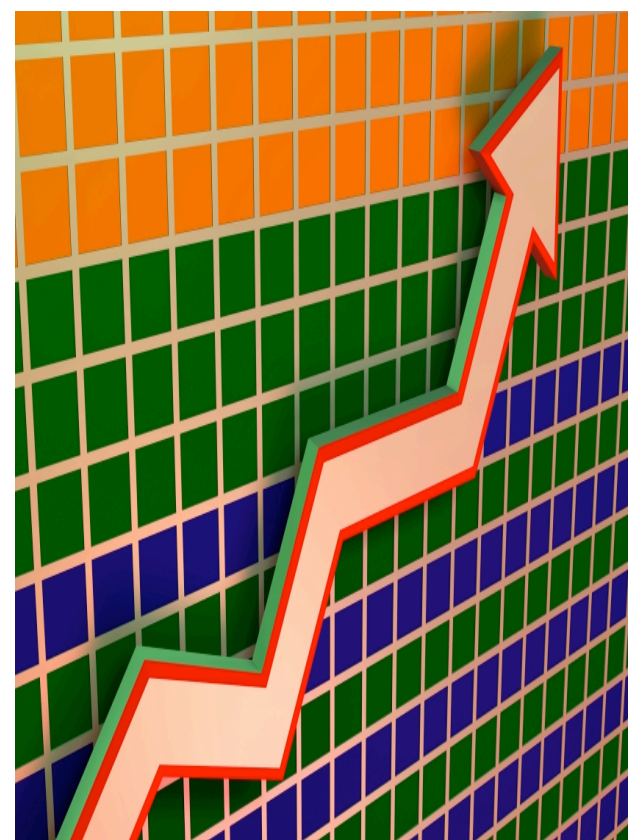
Pro-active business plan

Trademarks

Strong training and support

Clear differentiation

Market and competitor research



Adapted from an article by Bill Edwards and Robert Shaw in "*Franchise Times*"

The US Franchise Market

- The direct and indirect impact of the 910,000 franchise business locations in the USA reached more than US\$2.3 trillion in 2005
- 20,000,000 jobs in the US are tied directly or indirectly to franchising
- There are over 3,000 different franchises in over 100 business sectors
- 54¢ of every retail dollar in the USA is spent at a franchise
- Every product and service in the US is provided by a franchise
- The US has well defined franchising laws
- The US market is open to good new concepts from other countries

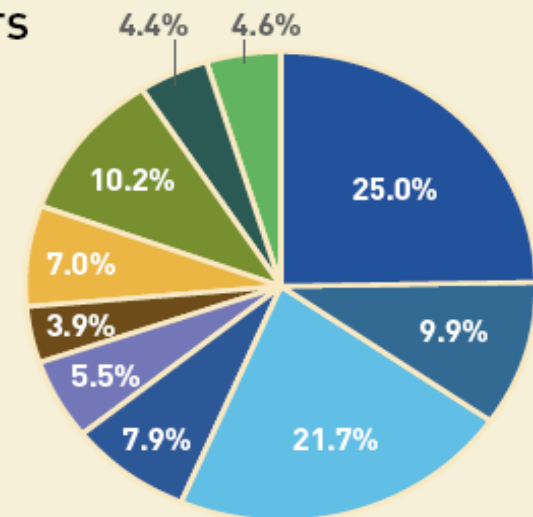


From the recent PWC 'Franchising in the US' IFA study

Franchises In The USA

| |
|-----------------------------------|
| BUSINESS SERVICES |
| PERSONAL SERVICES |
| QUICK SERVICE RESTAURANTS |
| FOOD RETAIL |
| TABLE/FULL SERVICE RESTAURANTS |
| LODGING |
| COMMERCIAL & RESIDENTIAL SERVICES |
| RETAIL PRODUCTS & SERVICES |
| REAL ESTATE |
| AUTOMOTIVE |

BUSINESS FORMAT FRANCHISES // BY LINE OF BUSINESS ESTABLISHMENTS



35% are in the food sectors



Franchising in Australia

Franchise Facts 2009

- 1150 franchise systems
- 145 leading franchise systems
- 50,000+ franchisees
- \$180 billion + revenue
- 700,000+ employed
- 5% growth p.a since 2000
- Major Trends
 - International Expansion
 - Aggregation of Mature Systems

% of Franchise Sector

Retail Trade 39%

Property & Business 19%

Personal Services 14%

Finance & Ins. 6%

All Industries 6 %

*Not to scale



Source:



GlobalVue™: Selected Countries In 2010

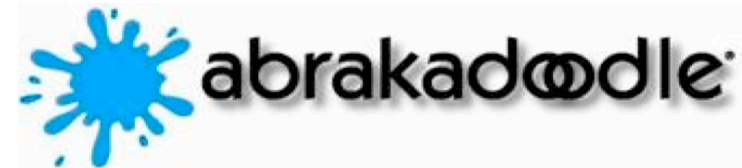
| Country/Region | Expected 2010 GDP Growth % | Competition Index 2009 | Economic Freedom 2009 | Market Size | Ease Of Entry | Legal Concerns | Government Involvement | Weighted 2010 Ranking |
|--------------------|----------------------------|------------------------|-----------------------|-------------|---------------|----------------|------------------------|-----------------------|
| Urban China | 1 | 1 | 2 | 1 | 2 | 2 | 2 | 1.7 |
| Brazil | 1 | 2 | 3 | 1 | 2 | 2 | 2 | 2.0 |
| India | 1 | 2 | 3 | 1 | 3 | 2 | 3 | 2.3 |
| Indonesia | 1 | 2 | 3 | 1 | 2 | 3 | 3 | 2.3 |
| Thailand | 1 | 2 | 2 | 2 | 2 | 2 | 1 | 1.9 |
| Philippines | 1 | 2 | 3 | 2 | 2 | 2 | 1 | 2.0 |
| Malaysia | 1 | 1 | 3 | 2 | 3 | 2 | 3 | 2.3 |
| Viet Nam | 1 | 3 | 4 | 2 | 1 | 2 | 2 | 2.3 |
| Singapore | 1 | 1 | 1 | 4 | 1 | 1 | 1 | 1.6 |
| Hong Kong | 1 | 1 | 1 | 4 | 2 | 1 | 1 | 1.7 |
| United Kingdom | 2 | 1 | 1 | 1 | 2 | 2 | 1 | 1.7 |
| USA | 2 | 1 | 1 | 1 | 1 | 2 | 2 | 1.7 |
| Japan | 2 | 1 | 1 | 1 | 2 | 2 | 2 | 1.9 |
| Mexico | 2 | 2 | 2 | 1 | 2 | 2 | 2 | 2.1 |
| Canada | 2 | 1 | 1 | 2 | 2 | 2 | 2 | 2.0 |
| Taiwan | 2 | 1 | 2 | 2 | 2 | 2 | 1 | 2.0 |
| South Korea | 2 | 1 | 1 | 2 | 2 | 2 | 3 | 2.1 |
| Australia | 2 | 1 | 1 | 2 | 3 | 2 | 2 | 2.1 |
| Middle East Region | 2 | 2 | 3 | 2 | 2 | 2 | 2 | 2.4 |
| Italy | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2.6 |
| Spain | 4 | 1 | 1 | 1 | 2 | 2 | 2 | 2.4 |

A ranking of '1' is best, a '2.5' is good and '4' is worst



Abrakadoodle® In Asia

- Abrakadoodle® is the US leader in creative art education, offering imaginative classes in painting, sculpting, digital design, collage, mosaics and drawing for children 20 months to 12 years old
- Abrakadoodle® ranks as the #1 Art Education Franchise and "Best of the Best" in Children's Services by *Entrepreneur Magazine* for 2008!
- With over 1200 courses available to franchisees, Abrakadoodle® emphasizes that the arts play a central role in cognitive, motor, language, and social-emotional development of children
- Abrakadoodle® knows parents in Asia see the value of learning creativity in order for their children to compete in the global marketplace when they grow up
- Today, Abrakadoodle® has master licensees in Japan, Malaysia and Singapore and licenses are under negotiation in other Asian countries



Carl's, Jr.® In Asia



- **Carl's, Jr.® is a premium, higher cost burger franchise founded in California in 1941 and now operating in almost 20 countries**
- **Carl's, Jr.® has proven successful in tough markets such as the Middle East, Mexico and Russia**
- **The brand uses very edgy marketing that brand targets a young Asian male demographic**
- **In Asia, Carl's, Jr. first opened in Singapore, followed by Malaysia and licenses are under negotiation elsewhere in Asia**
- **The first Carl's, Jr.® opened in China (Shanghai) in October 2009 through a Singapore based licensee**



Golden Spoon® In Asia



- Golden Spoon®, the #1 Frozen Yogurt In Southern California, is a premium quality alternative to ice cream that tastes good with zero to low fat and very few calories
- Market research indicated that the Golden Spoon® premium product fits well into the Asian taste requirements and that the brand name was very acceptable across Asia
- Golden Spoon® granted an area license in Japan in 2008 and the Philippines in 2009
- Golden Spoon is now expanding to Indonesia, Malaysia and Singapore



Hot Franchise Sectors For 2010

- **Automotive – After market products and services**
- **Children’s Education – At all levels**
- **Commercial Services - Facility management, Cleaning, Handyman, Security**
- **Personal Services – Handyman, Maid, Mobile**
- **Retail – To fill large malls in emerging markets**
- **Specialty Food – Mall anchor concepts, special brands, ethnic foods, well known pizza brands**



Hot Franchise Markets For 2010/2011

- **Strong Desire For Foreign Franchises Today**
 - Brazil – Strong growth, high level of franchising
 - China – Focused on 1st and 2nd Tier Cities
 - India – Strong desire for food and retail brands
- **Hot Markets For Franchising in 2011**
 - South Africa, Turkey and Viet Nam

